



BADGER METER, INC.

GENERAL INVESTOR PRESENTATION

January 2022



FORWARD LOOKING STATEMENTS

Certain statements contained in this presentation as well as other information provided from time to time by Badger Meter, Inc. (the “company”) or its employees, may contain forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those statements. The words “anticipate,” “believe,” “estimate,” “expect,” “think,” “should,” “could” and “objective” or similar expressions are intended to identify forward looking statements. All such forward looking statements are based on the company’s then current views and assumptions and involve risks and uncertainties. Potential factors that could affect such forward-looking statements include the duration, severity and geographic spread of the COVID-19 pandemic, government actions to address or mitigate the impact of the COVID-19 pandemic, and the potential negative impacts of COVID-19 on the global economy, the company’s operations and those of our customers and suppliers. The company’s results are subject to its ability to develop and manufacture technologically advanced products that are accepted by the market, supply chain risk, legal and regulatory risks, political and general economic risks, risks related to doing business in foreign countries, including foreign currency risk, competition for skilled employees, material and labor cost increases, competitive pricing and operating efficiencies, the effects of climate change, cybersecurity attacks and disruptions to our information technology and the successful integration of acquisitions. See the company’s Form 10-K filed with the SEC for further information regarding risk factors, which are incorporated herein by reference. The company disclaims any obligation to publicly update or revise any forward-looking statements as a result of new information, future events or any other reason.

In this presentation certain non-GAAP financial measures may be used. Please see the supplemental financial schedules at the end of this presentation for a reconciliation to the appropriate GAAP measure.



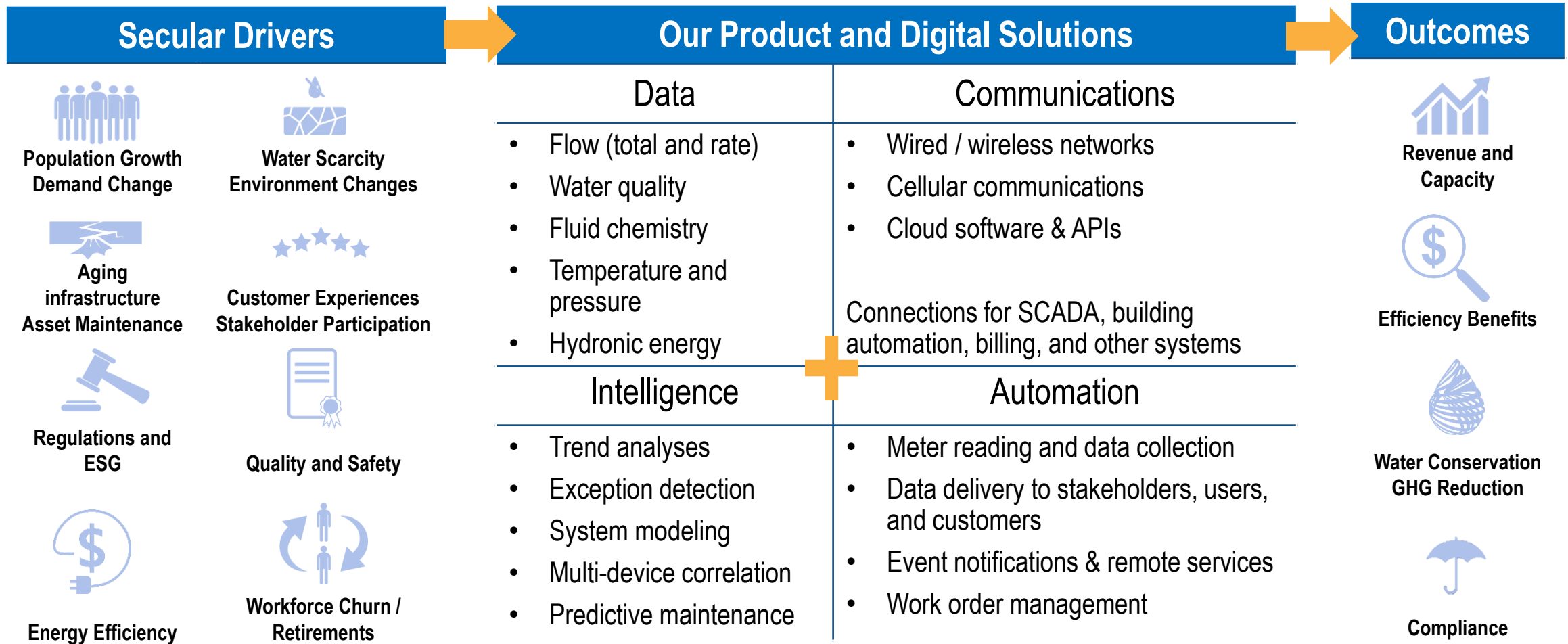
BADGER METER IS A PREMIER SMART WATER SOLUTIONS PROVIDER



- Comprehensive suite of digital smart water offerings including flow measurement, water quality and other parameters with software / analytics solutions
- Industry leader in North American smart water metering, with a strong global position in flow measurement and water quality technologies
- Attractive, long-term growth fundamentals:
 - Technology/digital adoption accelerating - improve operating efficiency, resiliency and sustainability
 - Stable business model supported by replacement demand
 - Strategic tuck-in acquisitions and partnerships to expand breadth of offerings
- Culture of innovation, continuous improvement and sustainability
- Premium financial profile and exceptional operational track record



COMPREHENSIVE PORTFOLIO OF SMART WATER OFFERINGS TO SOLVE CUSTOMER CHALLENGES



Competitive Advantage with “Choice Matters” – Broadest Portfolio of Solutions Will Continue to Expand



BUILDING ON OUR ESTABLISHED FOUNDATION OF CORE SOLUTIONS WITH WATER QUALITY MONITORING



Macro Trends Driving Water Quality Applications



Distribution system security / resiliency



Increased reporting mandates for water discharge/effluent monitoring



Heightened COVID-19 impact to vulnerable populations – hospitals, senior living, education and corporate facilities



Corporate ESG reporting requirements

- Complementary offerings
 - Product technology - electrochemical and optical sensors
 - Geographies - ATi in the US and UK, s::can installed product in 50 countries
 - Scale - customer relationships, inside sales & distribution for greater ability to cross sell
 - Coverage - spans the water eco-system – including water utilities, wastewater treatment and industrial water applications
- Working to deliver long-term growth synergies
 - Quantity plus quality data parameters - online, real-time via ORION® Cellular
 - BEACON® and EyeOnWater® to store, integrate, analyze and visualize information for holistic view of water network
 - Expanded international footprint/customer relationships for metering

Water Quantity Plus Quality - On Demand / Real Time / Anywhere



SMART WATER INNOVATION LEADER

Driving Enhancements in Smarter Measurement & Actionable Data → Enhanced Operational Efficiencies

Static Metering

- Smarter meters – flow, pressure, temperature, valves
- 2nd generation platform releases started in 2020
- Vertical integration of chip sets in order to control the evolution of smarter devices
- Improved accuracies

Innovation Centers:
Lulea, Sweden
Milwaukee, WI, USA



Water Quality

- Low maintenance, reagent-less sensors
- Advanced IoT edge computing detects events
- 60+ parameters for water and gas
- 20+ years of leadership in optical spectrometry, 30+ years in electrochemical

Innovation Centers:
Vienna, Austria
Philadelphia, PA, USA



Cellular & IoT

- 5th generation endpoint released in 2021
- 18-24 month iterative development cycles
- Pioneer in market; first generation debut was 2014
- Millions of cellular endpoints deployed

Innovation Center:
Milwaukee, WI, USA



Software & Analytics

- Cloud software for utility operations, sustainability
- Holistic view of water systems
- Real time detection of anomalies and events
- Decision dashboards
- Process automation

Innovation Center:
Los Gatos, CA, USA





FOURTH QUARTER FINANCIAL SNAPSHOT

(US\$ in millions, except per share data)

	<u>Q4 2021</u>	<u>Q4 2020</u>	<u>Change</u>
Sales	\$135.7	\$112.3	20.8%
Gross Margin	54.8 40.4%	44.1 39.2%	24.5% 120 bps
SEA	32.0 23.6%	27.1 24.1%	18.0% (50) bps
Op Income	22.9 16.8%	17.0 15.1%	34.8% 170 bps
Income Tax Rate	24.5%	22.6%	
EBITDA	29.7 21.9%	23.2 20.7%	27.9% 120 bps
EPS	0.59	0.45	31.1%
Free Cash Flow	\$26.2	\$12.7	

- Utility water sales increased 23.4%. Excluding year-over-year benefit of water quality acquisitions, utility water core growth was 14.4%. Strong order activity and recovering manufacturing output more than offset impact of intermittent supply chain constraints
- Flow instrumentation sales increased 8.9% with solid demand trends partially offset by supply chain limitations on production
- Gross margin expansion on volume, favorable sales and acquisition mix and pricing, which offset supply chain and inflation challenges; prior year included one-time network sunset provision
- SEA increase includes acquisition spending and related intangible amortization, higher compensation-related expenses and recovering pandemic-impacted spending (e.g. travel); improved SEA leverage
- Free cash flow reflects successful working capital management efforts

See appendix for reconciliation of GAAP to Non-GAAP measures



2021 RECAP / OUTLOOK

- Record 2021 financial performance despite backdrop of pandemic, supply chain disruptions, logistics challenges and inflation
 - Core utility water growth of 9%, and 13% above 2019's pre-pandemic sales level
 - Improving margins – structural mix, pricing and SEA leverage
 - Record orders and backlog
- Innovation focus- build on leading market position with comprehensive and tailorable solutions that combine data, communications, and analytics into tailorable solutions to enable customers to be more efficient, effective, and sustainable throughout the water ecosystem
- Balance sheet flexibility and strong cash flow to enable strategic, tuck-in acquisitions to expand offerings
- Further advance sustainability efforts in our products/solutions and within our operations, helping to conserve the world's most precious resource

Full Year 2021



9% Core
Utility Water
Sales Growth



30 BPS
Op Profit
Margin
Expansion



133% Free
Cash Flow
Conversion



23% EPS
Growth



Optimistic About Opportunities for Growth in 2022 and Beyond



CAPITAL ALLOCATION PRIORITIES

- 1 **Internal Investment** to support organic growth and sustain core business
- 2 Grow the **dividend** annually in line with earnings
- 3 Accelerate **acquisitions** that align to strategy and return targets

- No outstanding debt obligations and \$87M of cash at December 31, 2021
- Strong free cash flow, working capital management – 133% conversion of net earnings in 2021
- \$150M untapped revolver – recently upsized facility adding covenant and other flexibility
- August 2021 dividend increase of 11% marked 29 consecutive years of dividend increases.

Ample Liquidity to Fund Growth Priorities



ENVIRONMENTAL, SOCIAL AND GOVERNANCE INTEGRAL TO BUSINESS STRATEGY

- Smart Water Solutions enable water conservation, resiliency and improved water quality – aligned with United Nations SDGs
 - Estimate our products save >5B gallons of water annually, equating to >11.5M kWh of energy (7,850 tons of CO₂) avoided to heat, pump and treat that water
- Top ESG ratings – recognition of our ESG journey
- Governance
 - Values – ethics and integrity
 - ESG oversight by Corporate Governance Committee / Board of Directors and informed by stakeholder outreach
 - 2020 SASB / GRI reporting
- 2020 baseline GHG emissions; Goal=15% intensity reduction
- Diversity & Inclusion
 - 30% of Board is diverse
 - 40% of executive officers diverse (30% female, 10% Latino)
- Continuous improvement in employee safety and regrettable turnover





BACKGROUND INFORMATION

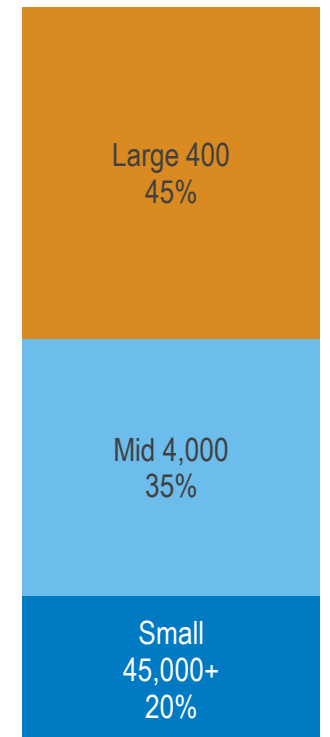


COMPETITIVE ADVANTAGES – WHY BADGER METER WINS

Broadest Range of Offerings – Choice Matters	<ul style="list-style-type: none"> • Brass and polymer • Mechanical and static (ultrasonic) • Drive by, fixed and cellular radio technology
Technology Leadership	<ul style="list-style-type: none"> • Well established E-Series Ultrasonic expertise • ORION Cellular – leverages existing infrastructure, flexible, coverage • BEACON/EyeOnWater – actionable data for utility and homeowner
Innovation	<ul style="list-style-type: none"> • D-Flow technology for performance enhancement, cost reduction and larger sizes • Remote actuating flow restriction valve • Real-time water quality sensing – optical and electrochemical
High Service Levels and Customer Support	<ul style="list-style-type: none"> • Strong brand preference – long term relationships / loyalty • Channel coverage - regional service center and local distribution to cover smaller utilities • Highly trained Solution Architect, customer care and field technology support
Low Lifecycle Costs	<ul style="list-style-type: none"> • Highly accurate and quality products / low warranty • Exceptional battery life • Leverage existing cellular technology network

>50K Water Utilities in US

Utility Size and their Share of Meter connections



Strong Market Position in North American Oligopoly; Significant Customer Diversity



CELLULAR COMMUNICATION VS. FIXED NETWORK

DATA COLLECTOR FIXED NETWORK

SINGLE PURPOSE NETWORK



SYSTEM ENGINEERING / DEPLOYMENT



ONGOING SYSTEM MAINTENANCE / FEES

CELLULAR FIXED NETWORK

LONG-TERM EVOLUTION M2M (LTE-M) / SMART CITY / IoT NETWORK



SYSTEM ENGINEERING / DEPLOYMENT



ONGOING SYSTEM MAINTENANCE / FEES

- *Easy*
- *Flexible*
- *Resilient*
- *Savings*
- *Standard*

LTE-M Cellular Communication Technology – Example of Innovation Leadership



SMART WATER ACCELERATION

The Business Case

Why are utilities willing to pay more?

- Reduce non-revenue water (NRW)
 - Mechanical meters lose some accuracy over time
 - Leak detection
- Lower operating cost / improve efficiencies
 - Move out reads / billings
 - Flow shut-off/restriction technology – labor to turn off and on water services
- Encourage conservation
 - Manage what you measure
 - Leak avoidance / fix

The Solutions

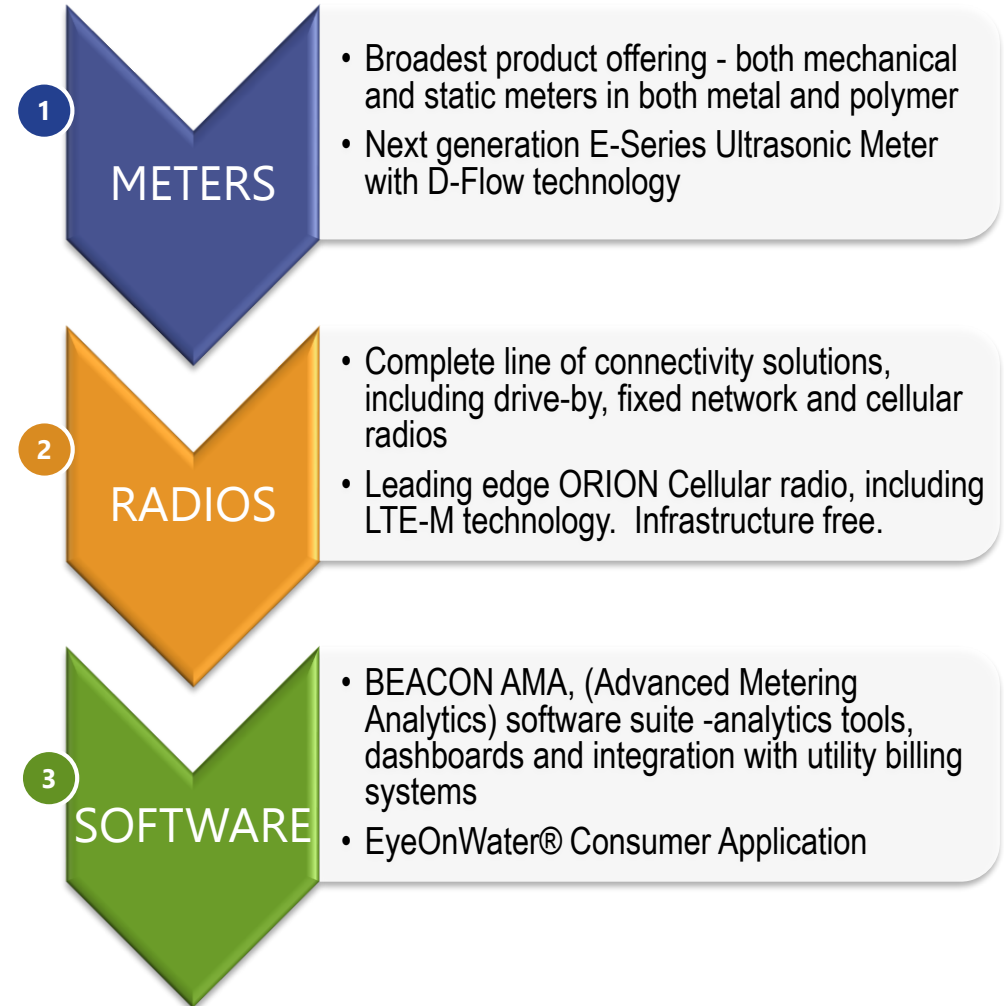
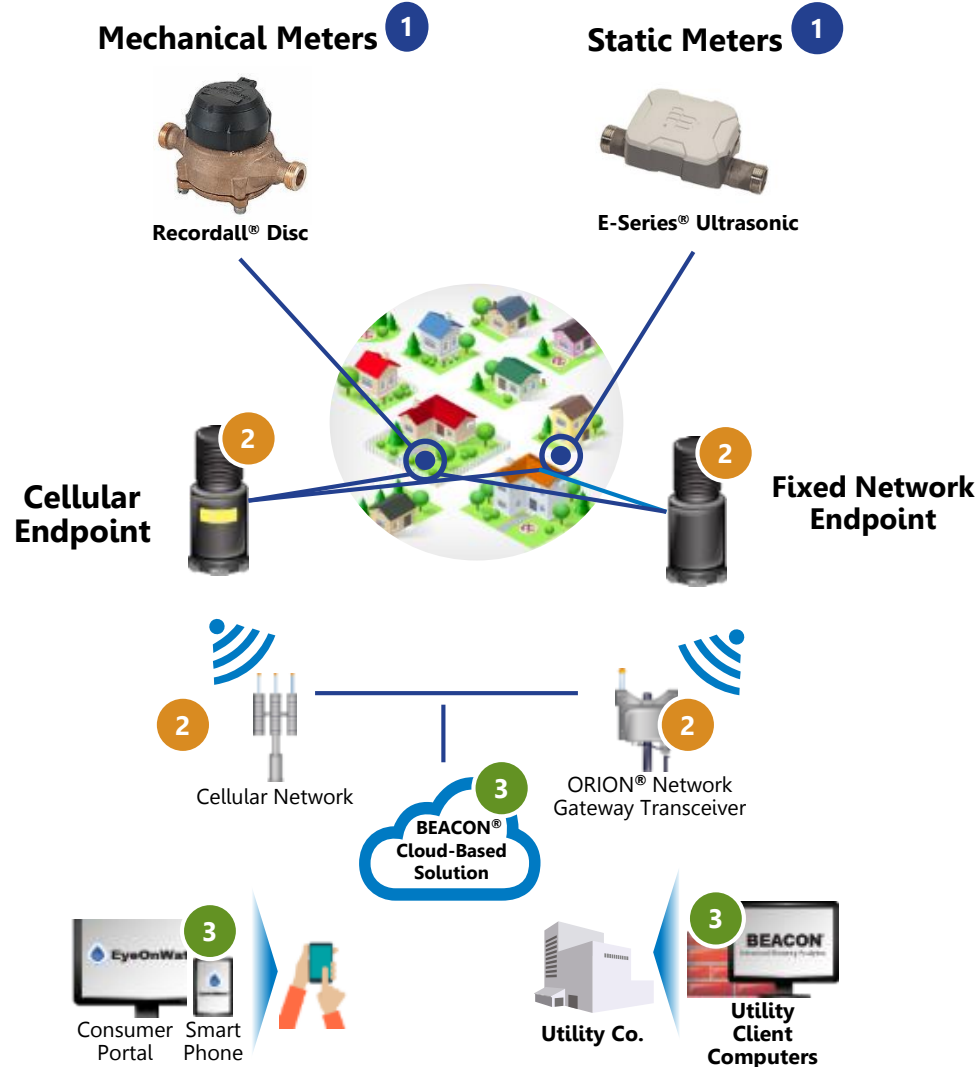
How our leading technologies deliver

- Meters
 - Static (E-series ultrasonic) holds accuracy over lifetime; commercial sizes
- Radio Endpoints
 - Safety- remote reads
 - Data and analytics – more data, more often
 - Cellular – infrastructure-free for utilities; enables efficiencies for remote flow restriction, move-outs, installation pacing
- Software
 - Leak identification / detection
 - EyeOnWater App for consumer awareness

Overall Served Available Market Value Continues to Trend Higher



UTILITY WATER-INTEGRATED SOLUTION OFFERING





SMART WATER KEY GROWTH STRATEGIES

- Maintain leading position in the North American smart water market through continued development of leading-edge offerings
- Penetrate and grow select international markets (e.g. Middle East, UK) with fit-for-market solutions
- Leverage addition of real-time water quality monitoring, and other system health parameters into actionable data to improve utility operations
- Augment software, including consumer engagement technology, for optimized customer solution





RADIO CONNECTIVITY - PENETRATION

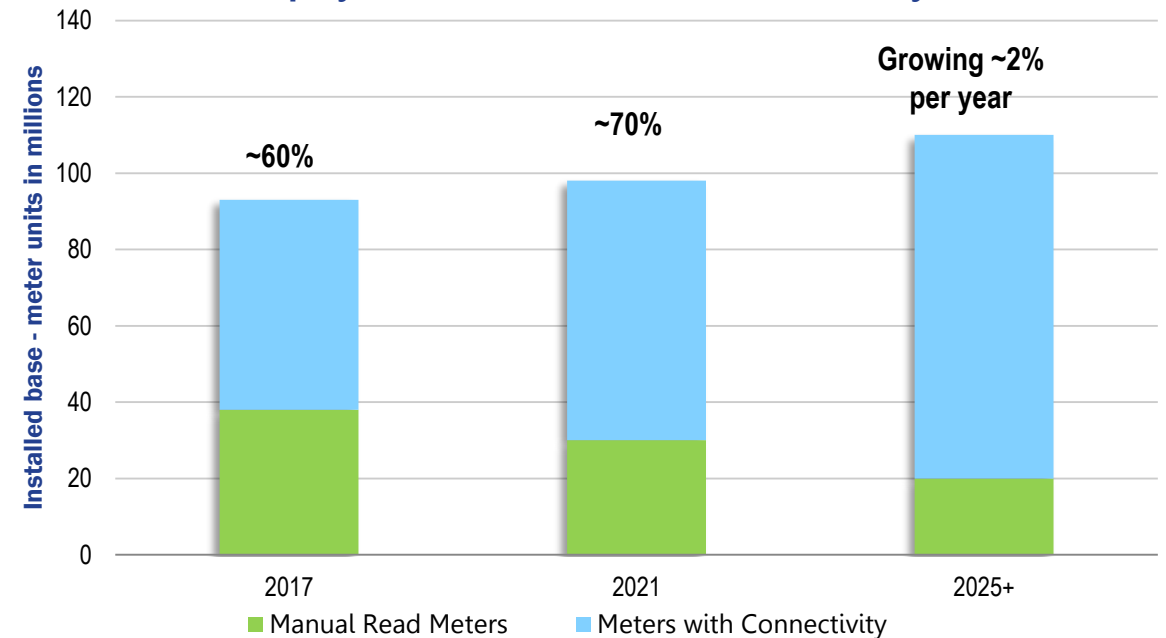
CONVERSION TO CONTINUE

- Badger Meter was the first US company to offer radios on water meters (1988)
- Radio connectivity allows for automated metering and integration of real-time data with analytics software
- Radio connectivity reduces utility costs, improves billing accuracy, aids in leak detection and encourages conservation
- Approximately 70% of the U.S. market has been converted (per IHS) – additional conversions represents increased sales opportunity for Badger Meter for both hardware and SaaS

MANUAL READ \$40-\$50 price per meter	METERS WITH RADIOS/SOFTWARE \$150-\$250 price per system
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North American water meter market
projected conversion to radio connectivity



Source: IHS Research



FLOW INSTRUMENTATION KEY GROWTH STRATEGIES

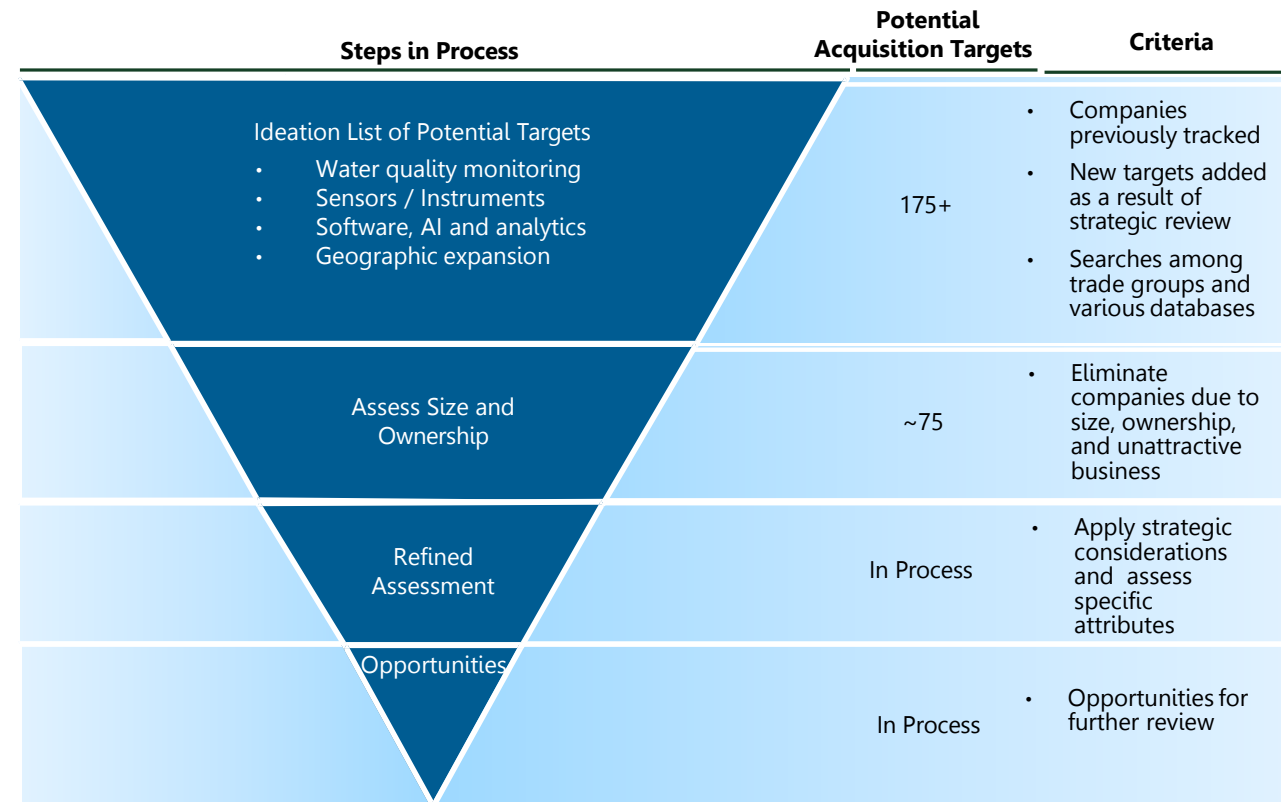
- Expand niche share by targeting water-related applications, predominately
 - Building Automation/HVAC/Sustainability
 - Water and Wastewater treatment and distribution
- Leverage addition of real-time water quality monitoring for industrial process and discharge water
- Penetrate international markets where both smart water and industrial applications exist





STRATEGIC ACQUISITIONS

- Technology solutions that can be leveraged across both utility and flow instrumentation markets
 - Water quality monitoring
 - Leak detection, conservation
- Software enhancements - SaaS
 - Utility operations
 - Consumer portals
- Smart City / Internet of Things
- International penetration



Disciplined Capital Allocation – accretive, growth synergies, leverage globally



ACQUISITION HISTORY

Year	Company	Type	Location	Price
Utility Water Instrumentation and Connectivity:				
2021	Analytical Technology, Inc	Water quality monitoring	USA / UK	\$44M
2020	s::can	Water quality monitoring	Vienna, Austria	\$31M
2018	Innovative Metering Solutions	Distributor	Tampa, FL	\$8M
2017	Carolina Meter	Distributor	Wilmington, NC	\$6M
2017	D-Flow	Ultrasonic Technology/R&D	Lulea, Sweden	\$23M
2015	United Utilities	Distributor	Smyrna, TN	\$3M
2014	National Meter	Distributor	Denver, CO	\$23M
2013	Aquacue	Software/cellular technology/R&D	Los Gatos, CA	\$14M
Flow and Industrial Instrumentation:				
2012	Racine Federated	Technology/Manufacturing	Racine, WI	\$57M
2011	Remag	Technology/Manufacturing	Bern, Switzerland	\$5M
2010	Cox Instruments	Technology/Manufacturing	Scottsdale, AZ	\$8M



GLOBAL INNOVATION AND MANUFACTURING FOOTPRINT



❖ Innovation / R&D Centers

● Manufacturing Facilities

Also operate four US distribution centers and a variety of global sales offices



ANNUAL FINANCIAL TRENDS

(US\$ in millions, except per share data)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Sales	\$433.7	\$424.6	\$425.5	\$505.2
Adj Oper Earnings	59.4 13.7%	62.2 14.6%	65.2 15.3%	78.7 15.6%
Adj EBITDA	83.8 19.3%	86.0 20.3%	90.2 21.2%	106.5 21.1%
Adj EPS	1.54	1.61	1.69	2.08
Free Cash Flow	\$51.7	\$73.2	\$80.5	\$80.8
FCF Conversion	115%	155%	163%	133%

Note: Adjusted figures in 2018 which exclude pension termination settlement and executive retirement charges.
See Annual Report for GAAP to Non-GAAP reconciliations.

- Sales growth driven primarily by smart water solution penetration
 - Radios and SaaS
 - Water quality
- Margins driven predominately by favorable sales mix, volume and price/cost
- SEA expense control with leverage improvement
- Robust cash flow generation with working capital management; conversion above 100%
- Ample balance sheet flexibility



GAAP TO NON-GAAP RECONCILIATIONS

EBITDA

(US\$ in millions)

	<u>Q4 2021</u>	<u>Q4 2020</u>	<u>2021</u>	<u>2020</u>
Net Earnings (GAAP)	\$17.3	\$13.1	\$60.9	\$49.3
Income tax provision	5.6	3.8	17.7	15.6
Depreciation	2.6	3.1	11.3	12.3
Amortization	4.2	3.2	16.6	13.0
Interest/Other	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
EBITDA	\$29.7	\$23.2	\$106.5	\$90.2

Free Cash Flow

(US\$ in millions)

	<u>Q4 2021</u>	<u>Q4 2020</u>
Cash from Ops (GAAP)	\$27.1	\$15.9
Capital Expenditures	<u>(0.9)</u>	<u>(3.2)</u>
Free Cash Flow	\$26.2	\$12.7

	<u>2021</u>	<u>2020</u>
Cash from Ops (GAAP)	\$87.5	\$89.6
Capital Expenditures	<u>(6.7)</u>	<u>(9.1)</u>
Free Cash Flow	\$80.8	\$80.5